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T. GLENN LATHAM
ADMINISTRATOR

REGULATORY ALERT

ALABAMA CREDIT UNION ADMINISTRATION
1789 CONG. W. L. DICKINSON DRIVE, MONTGOMERY, AL 36109

DATE: February 16, 2007

TO: Alabama State Chartered Credit Unions

SUBJECT: Impermissible Use Of Overnight Funds in Sweep Accounts
Associated with Uninsured Offshore Banks

Dear Board of Directors & CEO's:

It has come to my attention that some state chartered credit unions may be utilizing a sweep account with an Alabama state chartered bank that permits investment of overnight funds in offshore accounts of banks or other financial institutions. This is considered an impermissible activity; as such funds in an offshore account are not federally insured.

For those credit unions that do make use of a sweep account, we are asking that you review the contractual agreement(s) you have with the financial institution that provides this service to determine first, whether or not the funds are or can be swept to an offshore bank account and if so, second, to work with that financial institution to close the existing sweep account and open a new account which is federally insured.

Questions concerning this alert can be sent to the Alabama Credit Union Administration via email at AL00@ncua.gov.

Sincerely,
T. Glenn Latham
Administrator

Federal Financial Institutions Examination Council

